Nova Scotia

ANNUAL REPORT

for the fiscal year
ending Dec. 29, 1984

Nova Scotia Dairy Commission

His Honour
The Honourable Alan R. Abraham, C.D.
Lieutenant Governor of the Province of Nova Scotia
Government House
Halifax, Nova Scotia

Dear Sir,

I have the honour to transmit herewith the Annual Report of the Nova Scotia Dairy Commission for the year 1984.

I am, Your Honour,

Yours very truly,

Roger S. Bacon

The Honorable Roger Bacon
Minister of Agriculture & Marketing
P.O. Box 190
Halifax, Nova Scotia
B3J 2M4

Sir:

We have the honor to submit herewith the first independent Annual Report of the Nova Scotia Dairy Commission for the year ending December 29th, 1984. In previous years this Report was incorporated as part of the Annual Report of the Livestock Services Branch of the Nova Scotia Department of Agriculture & Marketing.

Respectfully submitted,

R. Lorne MacDougall
Chairman

R.L. Mason
Manager

NOVA SCOTIA DAIRY COMMISSION
ANNUAL REPORT

Year Ending **December 29, 1984**

Commission Members
R.L. MacDougall, Q.C. — Chairman
D.L. Harlow — Member
R. Johnstone — Member
J. Killawee — Member
J. MacConnell — Member

Staff
R.L. Mason — Manager
P.M. Green — Accountant
T.G. Nelson — Accounting Clerk
E.L. Faulkner — Secretary

Background

The Nova Scotia Dairy Commission consists of five members appointed by the Governor in Council to hold office for five years.

One member represents the Nova Scotia Milk Producers Association and the Cream Producers Association of Nova Scotia. One member represents the milk distributors in Nova Scotia and three members are in no way actively associated with the Dairy Industry.

The Commission was established on June 1, 1967 to administer Part XVIII of the Agriculture and Marketing Act entitled the Distribution and Sale of Milk.

Objectives

The primary objective of the Commission is to asusre availability of an adequate supply of good quality milk for human consumption at reasonable prices.

Principle functions of the Commission are to:
— set milk prices
— license milk producers, processors and jobbers

— conduct plant audits
— compile industry statistics
— administer the Market Sharing Quota Program
— provide a Fluid Quota System
— administer a producer Price Equalization Program
— set Bulk Haulage rates
— provide regulations with respect to milk quality

Milk Production and Utilization

Total milk shipments to processors in 1984 were 172,119,237 litres compared to 164,740,598 the year before, representing an increase of 4.5%. This was achieved despite a drop in producer numbers from 630 at the beginning of the year to 615 at the end.

Milk for fluid consumption amounted to 114,289,024 litres compared to 114,121,397 litres in 1983. Sales were down fractionally within Nova Scotia but were offset by an increase to Newfoundland. Fluid sales represented 66.4% of total milk produced. The balance was utilized for the manufacture of non fluid products.

PRODUCT SALES WITHIN NOVA SCOTIA

Product	1984 Litres	1983 Litres	% Increase/ Decrease
Standard Milk	47,543,537	49,899,654	- 4.7
Partly Skimmed Milk	43,707,977	42,051,873	+ 3.9
Skim Milk	5,960,705	5,664,373	+ 5.2
Buttermilk	289,059	293,841	- 1.6
Chocolate Drink	4,248,687	4,145,089	+ 2.5
Blend Cream	2,220,380	2,183,208	+ 1.7
Coffee Cream	474,745	370,654	+ 28.1
Whipping Cream	473,056	431,638	+ 9.6
Sour Cream	206,854	192,463	+ 7.5
Eggnog	335,296	304,103	+ 10.3
Total:	105,460,296	105,536,896	- .1

Cream producers who ship farm separated cream to creameries shipped a total of 223,421 kilograms of butterfat in 1984. This compares with a shipment of 224,934 kilograms in 1983, a drop of .7%. In August 1984 there were 202 producers shipping cream to Nova Scotia creameries of whom 14 resided in New Brunswick. In 1983 there was a total of 217 producers with 15 of those residing in New Brunswick.

Milk Pricing

A fluid milk pricing formula, developed by the Farm Management Division of the Nova Scotia Department of Agriculture & Marketing, continued to be used by the Commission as a guide in establishing the producer price for milk for Class I purposes within the Province. A $2.00 per hectolitre increase was approved on August 26th, 1984 and the butterfat differential for all classes of milk was raised from 46¢ to 47¢ effective the same date.

PRODUCER PRICES PER HECTOLITRE MILK

Basis 3.6 Kilograms of Butterfat Per Hectolitre

	Nova Scotia Mainland	Cape Breton Island	Date Effective
Class I	$49.41	$50.38	December 1, 1983
	51.41	52.38	August 26, 1984
Class II	37.35	37.35	August 22, 1983
	37.73	37.73	January 16, 1984
	38.38	38.38	April 16, 1984
	39.20	39.20	August 26, 1984
Class III (a)	35.16	35.16	August 1, 1983
(b)	33.66	33.66	
(a)	35.54	35.54	January 1, 1984
(b)	34.04	34.04	
(a)	36.19	36.19	April 1, 1984
(b)	34.69	34.69	
(a)	37.01	37.01	August 1, 1984
(b)	35.51	35.51	

In determining the producer price for Class II milk (Primarily for Ice Cream, Cottage Cheese and Yoghurt) the Nova Scotia Dairy Commission has followed the Target Returns level established by the Canadian Dairy Commission. In order to effect the desired level of the Target Returns, the Canadian Dairy Commission raises the support prices for butter and skim milk powder. Nova Scotia Class II prices increased by 38¢ per hectolitre on January 16, 1984, 65¢ per hectolitre on April 16th, 1984 and 82¢ per hectolitre on August 26th, 1984.

The Producer price for Class III, milk to Cheddar Cheese, Skim Milk Powder and Butter, which is not regulated by the Commission, has paralleled the increases in the Federal Target Returns level throughout 1984.

Federal Dairy Product Support Prices and Target Returns Level

	Skim Milk Powder	Butter	Target Return Level
August 1, 1983	2.72	4.55	42.80
January 1, 1984	2.74	4.60	43.18
April 1, 1984	2.79	4.71	43.83
August 1, 1984	2.85	4.784	44.65

The total value paid to milk producers in 1984 was $78,752,000 for an average price of $45.754 per hectolitre. This compares with $72,215,000 at an average of $43.836 in 1983.

Prior to December 1, 1981 the Commission fixed the wholesale and home delivered prices for milk. The wholesale price was also the minimum retail price. Subsequently the Commission set a suggested wholesale price which was also the minimum retail price. Acceleration of discounting practices led to an industry request for the Commission to re-examine this policy. To this end a Committee was formed in September 1983 to study the problem. At the same time a moratorium on escalation of existing discounts was instituted by the Commission.

Effective January 27th, 1984 the Commission raised the suggested wholesale prices to coincide with current pricing levels set by the processors with the understanding that prices would not be increased without consent of the Commission.

On August 26th, 1984 suggested wholesale prices were increased to reflect increases in operating and raw milk costs. Effective October 5, 1984 the suggested wholesale prices became fixed prices with a provision that existing contracts for discounts would be permitted until otherwise ordered by the Commission or the termination of the contract whichever occurred sooner.

At year end there was still no recommendation from the Committee studying the Commission's role in wholesale and retail pricing.

Commission Suggested Wholesale and Minimum Retail Price — Standard Milk

	Nova Scotia Mainland	Cape Breton Island	Date Effective
1 litre pouch	$ .84	$ .85	December 1, 1983
2 litre carton	1.69	1.71	
1 litre pouch	.90	.91	January 27, 1984
2 litre carton	1.81	1.83	

Commission Fixed Wholesale and Minimum Retail Price — Standard Milk

	Nova Scotia Mainland	Cape Breton Island	Date Effective
1 litre pouch	$ .94	$ .95	August 26, 1984
2 litre carton	1.90	1.92	

Price Equalization

In July 1983 a report was presented by a Milk Marketing Review Committee which was commissioned by the Nova Scotia Milk Producers Association to examine the milk marketing process and make recommendations. A modified version of a Price Equalization system, which was recommended by the Committee, was instituted by four of the five producer groups beginning April 1, 1984 on a one year trial basis.

Basically the system provided for all producers to receive a uniform percent of their fluid quota at a fluid value with the fluid and non fluid values to be determined on the total provincial utilization of all milk. Previously the pay out percent of quota and the fluid and over fluid values were determined separately on the basis of utilization at each plant.

Price Equalization requires the Nova Scotia Dairy Commission to compile data once a month on milk receipts and utlization by each dairy. After calculating the fluid utilization as a percent of quota and uniform values for fluid and non fluid milk, the information is transmitted to plants as a basis for paying their producers. Funds are received by the Dairy Commission from dairies which pay their producers less under equalization and in turn allocated to the dairies paying more under equalization.

The participating producers were sufficiently satisfied with the system to recommend a provincial producer vote be held early in 1985 on a permanent Price Equalization System. At their Annual Meeting in November 1984 the producers requested the Government to prepare enabling legislation for Price Equalization which could be proclaimed if a favorable vote was obtained.

Bulk Haulage Rates

The Commission increased the bulk haulage rate for all carriers by 4% effective the beginning of June 1984 with an announcement that a study on the methodology of rate setting would be undertaken jointly by Commission staff and Doane Raymond Management Consultants of Halifax. Many changes had occurred and the number of bulk haulers declined considerably since the last study. Also changes occurred in the Federal Freight Subsidy Program.

Terms of reference were prepared and Doane Raymond engaged to begin the study early in 1985.

Current Bulk Haulage Rates Established May 17, 1984

Transporter	Maximum Rate Per Hectolitre
Scotsburn Co-op Services	$1.75
Farmers Co-op Dairy Ltd.	$1.75
Cooks Dairy Farm Ltd.	$1.07
Rudy Burghardt	$1.19
Curtis Fisher	$1.44

Market Sharing Quota Program

Nova Scotia has participated in the National Supply Management Program for Industrial Milk and Cream since April 1974. The current operating year runs from August to the end of July.

The amount of quota (MSQ) available to Nova Scotia producers varies yearly according to the amount of National Quota which is determined on the basis of estimated Canadian consumption of dairy products plus allowable exports. Actual consumption of dairy products determines the level of subsidy payments by the Canadian Dairy Commission. Production within quota is subject to an in quota levy while over quota production attracts an over quota levy.

Nova Scotia's MSQ entitlement started at 2,123,000 kilograms of butterfat in August 1983 and increased to 2,164,000 kilograms by year end in July 1984. This compares with the previous year end quota of 2,081,000 kg. Provincial MSQ production decreased in 1983/84 to 2,179,546 kg. from 2,212,036 kg. however it still left the Province in a small over quota position. Fifty-three (53) producers with production in excess of 129.6% of their year end adjusted MSQ shared in the over quota levy of $108,564.

Nova Scotia MSQ Production — Kilograms of Butterfat

	1983/84	1982/83	Change	%
Fluid Producers	1,944,976	1,964,872	(19,896)	(1.0)
Manufacturing Producers	14,039	15,922	(1,883)	(11.8)
Cream Producers	220,531	231,242	(10,711)	(4.6)
Total:	2,179,546	2,212,036	(32,490)	(1.5)

Levy responsibility of Nova Scotia to the Canadian Dairy Commission in 1983/84 was as follows:

$5.14 per hectolitre on all in quota industrial milk
$0.3015 per hectolitre on all milk for fluid sales
$31.79 per hectolitre on over quota milk production
$4.14 per kilogram of butterfat on over quota cream production

To meet the obligations of in quota levy on fluid producers, rates between $5.79 and $5.89 were applied to MSQ production during the year with no deductions made with respect to milk for fluid sales.

Subsidy entitlement was determined to be paid on 2,158,000 kg. of butterfat. The subsidy rate of $1.675 remained unchanged from 1981. On an individual basis because of underproduction by some producers, subsidy entitlement was paid on shipments up to 123% of a producer's year end adjusted MSQ.

Summary of Levy and Subsidy Payments 1983/84

	In Quota Levy	Over Quota Levy	Total Levy	Subsidy Payment
Fluid Producers	$3,038,951	$108,564	$3,147,515	$3,222,266
Manufacturing Producers	18,816	-	18,816	23,515
Cream Producers	-	1,289	1,289	368,869
Total:	$3,057,767	$109,853	$3,167,620	$3,614,650

Starting the 1984/85 dairy year, Nova Scotia's MSQ entitlement remained at 2,164,000 kg. of butterfat. Because of a projected steep increase in levy rates due to a loss in the export account from last year and a further depression in world market prices in the current year, each Province was granted an option as to how they would

meet their share of costs. The Nova Scotia decision was to reduce issued MSQ by 4.0%, set the in quota levy rate at $5.80 per hl. and the over quota levy at $34.38 per hl. The level of MSQ and levies were to be reviewed as the year progresses.

Initial MSQ allotment to Cream Producers was 226,100 kilograms of butterfat with the balance of 2,078,450 kg. allotted to milk producers as litres of milk.